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Voluntary - Public

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September Cotton and Oilseeds Update

Report Categories:

Cotton and Products

Oilseeds and Products

Agricultural Situation

Biotechnology

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Report Highlights:

Total Mexican cotton production for MY 2009/10 (Aug-Jul) was revised downward to 417,403 bales. The increased price of fertilizers, pesticides and genetically modified seed varieties were the main problems for this decrease. Adverse weather conditions also reduced the harvested acreage and contributed to a drop in production. However, the implementation of better agricultural practices could spur yields alongside clear and efficient government support mechanisms, which could entice producers to continue producing. Concerning oilseeds, FAS/Mexico is maintaining its most recent PS&D estimates since our last voluntary report (See MX9060).

General Information:

Production:

Total Mexican cotton production for MY 2009/10 (Aug-Jul) was revised downward nearly 7.3 percent from the initial forecast to 417,403 bales. This decrease can be attributed to several factors that affected not only the cotton sector but the entire Mexican agricultural sector. Since the world economy crisis, the price of agricultural inputs and products has been in a state of constant change. Thus far, the increased price of fertilizers and pesticides, as well as the cost of using genetically modified seed varieties, has encouraged farmers to switch to more profitable commodities. The devaluation of the peso compared to the dollar has also discouraged farmers from planting more cotton.

The adverse weather conditions throughout this past summer also affected cotton production, and many farmers in Sonora are extremely concerned with the white fly pest. However, production in Mexicali is expected to be fine since many farmers applied fumigation. In order to cope with this situation, many producers implemented the use of best agricultural practices, such as applying defoliant, which promotes the ripening and opening of the cotton boll. Experts believe this practice could significantly spur production.

Area Planted

Currently, 47 percent of the total area planted is with improved seed with the remainder being conventional planting seed. Preliminary statistics indicate there are 10,818 hectares that use high-density furrows, while 17,523 hectares are planted using traditional patterns. The estimated yield is forecast to reach a little over six bales per hectare. In areas that have an ample water supply, the yield is forecast to reach seven bales per hectare. As shown in the chart below, the drought and excessive rains have reduced the harvested acreage devoted to cotton:

	2008/09	2009/10	Change
Hectares	101,005	69,136	-31,869
Bales	566,880	417,403	-149,477

Specifically, the state of Chihuahua reduced the acreage devoted to cotton nearly 52 percent since MY 2008/09, and accounts for only 28,342 hectares of cotton for the new cycle. At this point, the acreage that is planted with genetically modified seed varieties cannot be confirmed since the

weakening of the Mexican peso has not enticed farmers to buy genetically modified seed.

The northern area of Mexico is best situated and equipped for cotton production, but many officials are concerned that producers will switch to more profitable crops. Reportedly, only a few producers have switched to horticultural products, which generate bigger short-term profit. Instead, most producers are waiting for the government to increase the agricultural support schemes, which would offset some of the higher costs and allow producers to earn more. Many experts predict that fair prices on agricultural inputs or an increase in support would encourage producers to continue planting cotton.

Trade:

The forecast for cotton imports remains unchanged since fluctuation in the exchange rate continues to favor imports.

Stocks:

Due to a disadvantageous exchange rate (for the Mexican peso) and the economic recession, the MY 2009/10 ending stocks were revised downward.

Production, Supply and Demand Data Statistics :

PSD Table									
Country	Mexico								
Commodity	Cotton			(HECTARES) 1000 480 lb. Bales (PERCENT) (KG/HA)					
	2007/08			2008/09			2009/10		
	Annual Data Displayed	New Post Data		Annual Data Displayed	New Post Data		Annual Data Displayed	New Post Data	
Market Year Begin	08/2007			08/2008			08/2009		
Area Planted	113	113	113	120	120	110	0	100	100
Area Harvested	110	110	110	101	115	101	0	70	70
Beginning Stocks	1,027	1,037	1,037	932	933	933	0	845	845
Production	620	621	621	615	680	567	0	450	417
Imports	1,530	1,500	1,500	1,300	1,400	1,400	0	1,450	1,450
MY Imports from U.S.	0	0	1,500	0	0	1,400	0	1,450	1,450
Total Supply	3,177	3,158	3,158	2,847	3,013	2,900	0	2,745	2,712
Exports	220	200	200	150	200	130	0	120	120
Use	2,000	2,000	2,000	1,800	1,900	1,900	0	1,800	1,800
Loss	25	25	25	25	25	25	0	25	25
Total Dom. Cons.	2,025	2,025	2,025	1,825	1,925	1,925	0	1,825	1,825
Ending Stocks	932	933	933	872	888	845	0	800	767
Total Distribution	3,177	3,158	3,158	2,847	3,013	2,900	0	2,795	2,712
Stock to Use %	42	42	42	45	42	42	0	42	40
Yield (KG/HA)	1,227	1,229	1,229	1,326	1,287	1,222	0	1,400	1,297